

## 2010/11 accounts: Compliance with International Standards on Auditing

|    |   |  |
|----|---|--|
| 1  | How do those charged with governance exercise oversight of management's processes in relation to:             |  |
| a) | Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud; | <p>The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2010/11. A Statement of Responsibilities for the Statement of Accounts is included in the Statement of Accounts which is approved by the General Purposes Committee and subsequently signed by the Chairman of the Committee and the Director of Finance. This Statement of Responsibilities is supported by a detailed declaration from the Director of Finance.</p> <p>The Accounts also contain the Annual Governance Statement which confirms compliance with the Code of Corporate Governance. It is signed by the Chief Executive and the Leader of the Council and confirms that there are no known breaches of laws and regulations.</p> <p>The accounts are presented to members with an accompanying report which explains significant items and movements.</p> |
| b) | Identifying and responding to risks of fraud in the organisation;   | <p>The zero-tolerance culture of the organization towards fraud is reinforced by use of Anti-Fraud and Corruption Policies supported by a Confidential Reporting Code with outcomes being reported to Members. There is a comprehensive internal audit programme that covers all of the main accounting systems on an annual basis. These reviews result in an assurance level being given to Members for each individual audit and this is used by the Chief Internal Auditor to give an overall assurance level to Members in his Annual Report. In addition, all</p>  |

## 2010/11 accounts: Compliance with International Standards on Auditing

|    |   |   |
|----|---|---|
|    |   | <p>reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement.</p> <p>The Council works with partners to identify and investigate fraud. The referrals made through the NFI exercise are investigated and outcomes are reported to Members of the Audit Committee.</p> <p>The Benefit Investigation Section work closely with the DWP to investigate allegations of fraud. There is also participation in the Housing Benefit Matching System that uses data matching in order to identify incorrect benefit payments. The outcomes of benefit investigations are regularly reported to the Finance &amp; Property Advisory Board.</p>   |
| c) | Communication to employees of views on business practice and ethical behaviour; and | <p>In order to make sure that all staff are fully aware of Anti-Fraud Policies, Anti-Money Laundering Policy and Confidential Reporting Code the Council uses Netconsent". This is software that requires staff to read policies and acknowledge understanding of them before they can log on to the Councils computer systems. This has also been used to circulate Data Protection and email usage policies.</p> <p>All staff are required to abide by the Council's Code of Conduct and this is provided upon appointment to the Council. The Code of Conduct is in the process of being circulated to staff by use of Netconsent. There are enhanced Codes of Conduct in some sections such as Housing Benefits and Internal Audit where staff are also required to sign additional specific Codes of Conduct</p> |
| d) | Communication to those charged with governance the processes for identifying and    | <p>The Anti-fraud and supporting policies are reviewed and agreed by Members on a regular basis. Any</p>  |

## 2010/11 accounts: Compliance with International Standards on Auditing

|   |  |  |
|---|--|--|
|   | responding to fraud  | serious breaches are reported to Members with action taken to improve control weaknesses that were identified.   |
| 2 | Do they have any knowledge of any actual, suspected or alleged frauds?   | The only frauds that have been reported to Members during 2010/11 related to Benefit fraud and this is reported to the Finance and Property Advisory Board. There has not been any other fraud discovered or reported during 2010/11   |
| 3 | Have they identified any specific fraud risks within the organisation, particular locations where fraud is more likely to occur, or areas that are at risk of fraud? | <p>The Audit Committee is also responsible for overseeing the risk management process in place. Besides reviewing the risk management process the Committee is given regular reports on the risk exposure levels identified in the risk registers including specific attention to high risk areas. Regular reporting of insurance claims takes place. This would include any claims that have arisen from fraud or breaches of internal control.</p> <p>When the Annual Audit Plan is considered by the Audit Committee it will have taken into account any areas identified as high risk. Members are updated on publications such as "Protecting the Public Purse", exercises such as the National Fraud Initiative and action taken to address any issues raised. The Audit Committee also adopted the principles set out in the CIPFA publication "Managing the Risk of Fraud" during 2009/10.</p> |
| 4 | How are staff encouraged to report their concerns about fraud, and the types of concerns that they are expected to report?   | <p>All staff are made aware of the Confidential Reporting Code using email and "Netconsent". The latest staff survey reported a high level of confidence in this Code. The most recent version of this Code is in the process of being circulated to staff using Netconsent and is due for review in 2011.</p> <p>Frontline staff have been given fraud awareness training and this is</p>   |

## 2010/11 accounts: Compliance with International Standards on Auditing

|   |   |   |
|---|---|---|
|   |   | ongoing.  |
| 5 | How do they satisfy themselves that internal controls, including segregation of duties, exist and work effectively?   | <p>Members are presented with an Annual Governance Statement that informs them of the procedures in place that are designed to minimise the risk of fraud and error.</p> <p>The Internal Audit process requires the auditor to give a level of assurance on the area audited. There are regular reports provided to the Audit Committee that inform Members of these assurance levels. Members are also given a summary of the audit with details of any recommendations made.</p> <p>The Committee are able to question the Chief Internal Auditor or his staff on the contents of this report in order to satisfy themselves that adequate internal controls are in place to prevent fraud and breaches of internal control.</p> <p>Where there is a perceived weakness the report will contain steps recommended to strengthen the controls.</p> <p>Any reports addressed to the Council from the Audit Commission are presented to the Audit Committee. Representatives of the Audit Commission regularly attend Audit Committee meetings and will present their findings to the Audit Committee as well as answering any questions on the reports.</p> |
| 6 | <ul style="list-style-type: none"> <li>Are those charged with governance aware of any related party relationships or transactions that could give rise to fraud? What controls</li> </ul> | Members and Chief Officers receive an annual form which gives them an explanation of related party transactions and requires them to sign a declaration detailing any such transaction.   |

## 2010/11 accounts: Compliance with International Standards on Auditing

|   |   |  |
|---|---|--|
|   | are there to mitigate the risk of fraud in this area?   |  |
| 7 | How do they gain assurance that all relevant laws and regulations have been complied with?  | The Council Constitution is written to ensure compliance with law and requires all officers to comply with the relevant legislation. The Annual Governance Statement contains assurance that all relevant laws have been complied with. Any breaches of laws or regulations will be reported to Members by the Monitoring Officer.   |
| 8 | How do they satisfy themselves that it is appropriate to adopt the going concern basis in preparing the financial statements?   | <p>Going concern status is maintained through the use of the medium term financial strategy. This projects the level of financial expenditure and levels of reserves required to provide services.</p> <p>The council currently holds significant levels of reserves that could be used in the event of emerging financial difficulties in the short term, allowing for more detailed plans to be considered and put in place for the longer term.</p> <p>Members receive regular reports on the financial position of the Council, movements in the MTFS and any potential changes on calls from reserves.</p> <p>The assessment of going concern will also take into account the Council's status as a tax-raising body.</p> |
| 9 | What are their views on the nature and extent of any significant internal and external operational, financial, compliance or other risks facing the Council which might have an effect on the financial statements; and, where there are such risks, the likelihood of those risks materialising. | The risk management system requires all Chief Officers to regularly review their risk registers and report any movements into the high area to Management Team. The results of these reviews of risk registers are reported to the Audit Committee and include a summary of all risks with specific information on high risk areas.  |

## 2010/11 accounts: Compliance with International Standards on Auditing

|    |  |   |
|----|--|---|
|    |  | In addition all reports requiring Members decision will contain an explanation of expected risk and steps taken to minimise the risk.   |
| 10 | <ul style="list-style-type: none"><li>• Are there any matters those charged with governance consider warrant particular attention during the audit?<br/>Are there any areas where they would request additional procedures to be undertaken?</li></ul> | Subject to confirmation by the relevant Committee, there are no matters which those charged with governance consider warrant particular attention or areas where they consider additional audit procedures should be undertaken |